

1 ORS recommends the Commission reject Company witness Hunsicker's forecasted
2 average O&M expense of \$4.7 million. This amount includes forecasted costs of \$1.8 million
3 for inflation and contingency. Per S.C. Code Ann. Regs.103-823(A)(3), the Commission
4 requires rate applications to be based on a historic 12-month test period. Traditionally, the
5 Commission allows adjustments to the Test Year to reflect known and measurable changes
6 in the Company's operating experience. Adjustments for inflation and contingencies are not
7 known and measurable. Consistent with Commission Order Nos. 84-108 and 85-841 in
8 which the Commission expressly rejected adjustments for inflation, ORS recommends the
9 Commission reject recovery of these costs, which are based on projections and estimates, as
10 it shifts the risks from the Company to the customers. Due to ORS's additional adjustment,
11 ORS recommends cancellation of the accounting order (Order No. 2018-552) for deferred
12 expenses related to Customer Connect on the date of the order issued by the Commission in
13 this docket.

14 Adjustment #36 – Remove Certain Expenses

15 ORS recommended an adjustment to other O&M expense by (\$2,974,000) and
16 income taxes by \$742,000 to disallow sponsorships, lobbying expenses, service awards,
17 advertising and other miscellaneous items. These items are non-allowable and not
18 necessary to provide electric service to customers. Subsequent to filing the application, the
19 Company proposed an adjustment to other O&M expense of (\$227,000) and income taxes
20 of \$57,000 to remove lobbying costs and image building advertising.

21 Based on the rebuttal testimonies of Company witnesses Smith and Metzler, the
22 Company disagrees with ORS removing items associated with employee incentives, any
23 costs to recognize and reward Company employees, lineman's rodeo costs, organization